



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
OFFICE OF STATE AND LOCAL FINANCE  
SUITE 1600 JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-1402  
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Date: March 7, 2011

To: Public Entities and Interested Parties

From: Mary-Margaret Collier, Director of the Office of State and Local Finance

*Mary-Margaret Collier*

Re: Plans of Refunding in the State of Tennessee

Intent

This Memorandum is intended to:

- Further develop and define the expectations of the Office of State and Local Finance ("Office") in the Office of the Comptroller of the Treasury for a plan of refunding ("Plan"); and
- Provide transparent and thorough documentation for the Office, for public entities, and constituents.

Application for Approval to Proceed

This Memorandum relates to Plans which are required to be filed with the Office. The following TCA Sections require Plans to be submitted:

- 9-21-612- To issue Capital Outlay Notes to refund CONs or General Obligation Bonds (must comply with 9-21-903);
- 9-21-903- To issue General Obligation Bonds to refund General Obligation debt; and
- 9-21-1003- To issue Revenue Refunding Bonds to refund Revenue debt.

By cross reference, the following TCA Sections require Plans to be submitted:

- 7-82-501(a)- To issue Revenue Refunding Bonds of utility districts to refund in a manner complying with Part 9 of Title 9, Chapter 21 (the Local Government Public Obligations Act or "LGPOA"); and

- 12-10-116- To enter into a lease, loan agreement, sales contract or operating contract to refund a bond which could be refunded under either Part 9 or 10 of LGPOA.

Compliance with these statutory sections is a prerequisite to issuance of the debt.

#### Submission

The CEO or CFO of the Entity will submit the Plan covered by a request letter signed by either. For official delivery the documents must be delivered physically (not electronically) to the Office, whether by hand-delivery, US Mail, or other service. The Office is located at Suite 1600, James K Polk State Office Building, 505 Deaderick Street, Nashville, TN 37243-1402. For reference or for questions, the phone number to use is (615) 741-5368.

Electronic version may be submitted to begin an **unofficial** review; however, electronic submission will not constitute official submission for time calculation. E-mail versions may be sent to [local.finance@tn.gov](mailto:local.finance@tn.gov) and faxes may be sent to (615) 741-5986.

#### Time Calculation

The Office has 15 days to review a submitted Plan and to make a report. The 15-day time period will **not** commence until the documents have been **physically** received as described above. The checklist in “Plan: Minimum Requirements” below will be used by the Office to determine whether information submitted is sufficient to be deemed a “Plan” as contemplated by law in order to commence the 15-day time period calculation.

The Office is open for business Monday through Friday, excluding holidays. Documents received after 1:00 pm on a business day will be deemed to have been received on the next business day. Pursuant to TCA Section 1-3-102, time will be calculated by excluding the date of submission. In determining the last day, if the 15<sup>th</sup> day falls on a Saturday, Sunday or legal holiday, that day is excluded and the 15<sup>th</sup> day is determined to be the next business day.

#### Request Letter

The Request Letter needs to include the following:

- Entity information
  - a. Name of the government and of the governing/legislative body.
  - b. Mailing address, and email address for signatory on letter (if no email address available, then fax number).
  - c. Contact for additional information: name, title, phone, email address, fax.
    - i. For the Entity
    - ii. For any Third party (financial advisor, bond counsel, etc) if permission is being given to contact them.

- Timing information
  - a. Anticipated date and time for legislative consideration (including any work sessions).
  - b. Any unusual circumstances.
- Specific request for:
  - a. Report of Review of Plan pursuant to the relevant statute.
  - b. When appropriate, approval for:
    - i. Extension of Maturity.
    - ii. Negotiated Sale.

Plan: Minimum Requirements

The following checklist indicates the MINIMUM information to be submitted to constitute a Plan. The Office will send written acknowledgement of receipt of a Plan (as required by statute) upon determination that the required minimum information was submitted. Note, the information submitted should clearly describe the specific transaction and certain transactions may require more information in order to be sufficient to constitute a Plan. The Office will send the acknowledgement of receipt of the Plan by email (or by fax, if no email is available). Acknowledgement from the Office of receipt of a Plan does not constitute either validation of the legality or approval of the proposed transaction.

The Plan must include the following:

- Identification of key professionals (including financial advisors, bond counsel, underwriters, or lenders) who have provided advice or proposals on which the Entity relied to prepare the Plan.
- Purpose(s) of refunding, including parameters:
  - a. Cost savings: include a projection of the savings and amortization schedules for both refunding and refunded debt.
  - b. Restructuring: provide a comparison of existing and proposed structures, describing why debt is being restructured.
  - c. Covenant change- clearly describe covenant to be eliminated or revised and any change in the structure.
  - d. Reduction or elimination of risk: describe risk to be reduced or eliminated (such as with variable rate debt).
- Statement that the proposed refunding complies with the Entity's adopted debt management policy and a description of how the transaction is consistent with the policy, including any savings threshold. If there is no adopted policy or the transaction is not consistent, the Entity shall provide a detailed explanation.

- Amortization schedules for both (proposed) refunding and (outstanding) debt to be refunded, as well as the following:
  - **Refunding debt:**
    - a. Maximum size to be authorized by the governing body, identifying all outstanding debt that could be included in the refunding.
    - b. Anticipated size.
    - c. Anticipated final maturity and weighted average maturity. If the final maturity is extended beyond the fiscal year of final maturity of debt to be refunded or the weighted average maturity is increased, list the projects as required below for refunded debt.
    - d. Breakdown of costs of issuance.
    - e. Sources and uses of funds.
  - **Refunded debt:** Information must be provided with respect to *each debt issue to be refunded*; if all currently outstanding debt will not be refunded, identify maturities that are candidates for refunding).
    - a. Name of issue, type of debt, original terms, including whether the debt is federally tax-exempt or taxable.
    - b. Date of issue and copy of CT-0253 filed.
    - c. Date of authorization by the governing body.
    - d. Whether bank qualified or under other small issuer exception.
    - e. Projects funded with proceeds of issue and remaining average life of projects (if final maturity or weighted average maturity of debt is extended).
    - f. Derivative product, if any, and copy of Report of Compliance.
      - i. Describe current and future monitoring process.
      - ii. Statement whether product will be terminated or continued.
        1. If the swap is to be continued, explain why it will (or will not) qualify as an effective swap pursuant to GASB 53.
        2. If terminated, provide the amount to be paid by the Entity and the source of funds for the payment; if the Entity will receive a payment, provide the amount to be received and the intended use.
      - iii. Commitment to file with the Office, along with the Form CT-0253, a copy of the minutes of the governing body meeting where the decision regarding the continuation or termination of the derivative product is made, with sufficient detail of the discussion, including the explanation of the effect on the financial statements of an ineffective swap, if applicable.

If the proposed refunded debt was a refunding of prior debt, provide the same information for each generation of debt back to the original new money debt issuance; and provide a copy of the Report of Review of the Plan of Refunding.

Report

When a report is issued, the report will be effective for a period of 120 days. The Entity is required to distribute the report to the legislative body prior to consideration of the authorizing resolution; and to present the report at the meeting of the legislative body where the resolution is considered. The Office requests that the Entity post the report on its website, if any.

If the Entity does not complete the refunding within the 120-day time period and desires to proceed with the refunding, the Entity must submit to the Office either:

- A statement that the information contained in the Plan remains valid, and the Office will issue a letter confirming the validity of the refunding report for an additional 120-day period, or
- A supplemental Plan that will be reviewed as required by statute.